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## **SENATE APPROVES BANKRUPTCY BILL WITH BENNETT AMENDMENT ON NETTING CONTRACTS**

**WASHINGTON, D.C.** – The U.S. Senate today approved wide-ranging bankruptcy reform legislation including an amendment by Senator Bob Bennett (R-Utah) to strengthen and update protections for financial institutions involved in transactions known as netting contracts.

“The ability to terminate, or close out and ‘net’ financial products is a vital part of our capital markets,” said Bennett, chairman of the Senate Banking Subcommittee on Financial Institutions. “This legislation will improve risk-management processes within the debt markets and further protect our economy from domino failures resulting from bankruptcy and insolvency.”

Bennett’s legislation updates banking insolvency laws to reflect the increasing interconnected nature of today’s world financial markets where nearly every transaction is offset with others to hedge risk.

Netting contracts allow payments or other obligations owed between parties with multiple contracts to be offset against each other, with one net amount paid by one party to the other in settlement. By eliminating the need for large fund transfers for each transaction in favor of a smaller net payment, netting allows parties to enter into multiple-transaction relationships with reduced credit and liquidity exposures to a counterparty’s insolvency.

This legislation clarifies the ability of debt market participants to engage in cross-product netting, allowing parties to net out different kinds of financial contracts, such as swap agreements being offset with repurchase agreements.

The Senate approved the conference report on the bankruptcy reform bill today by a vote of 70 to 28. The legislation now goes to the president for his signature.

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